

Fairfax County Economic Index

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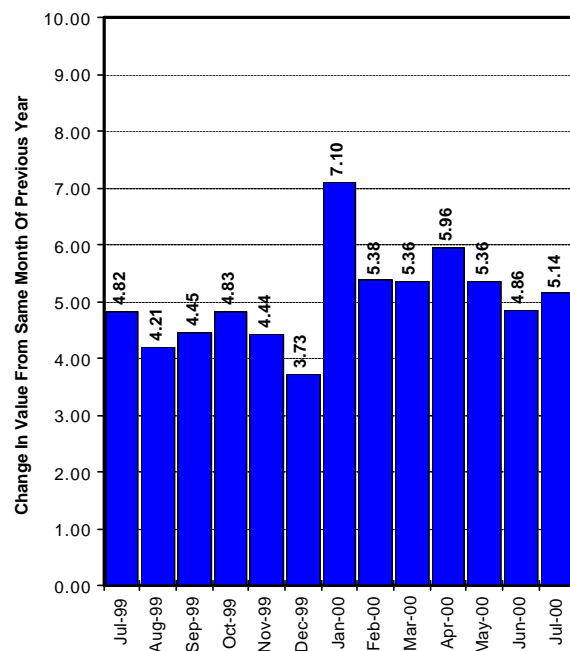
County Economy Continues to Slow, Leading Indicators Show Renewed Strength

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 124.85 in July for a decline of 0.13 percent. This was the third consecutive monthly decline in the Index dating from May and the fourth decline since January. However, year-to-date the Index is still positive and, for the past 12 months, it is up 4.3 percent. In July, two of its four components were negative.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the third consecutive month; and,
- Sales tax collections, adjusted for inflation and seasonal variation, declined following two monthly gains; while
- Total employment grew, reversing a two-month decline and now has been up in five of the year's first seven months; and,
- Consumer confidence increased for the third month in a row.

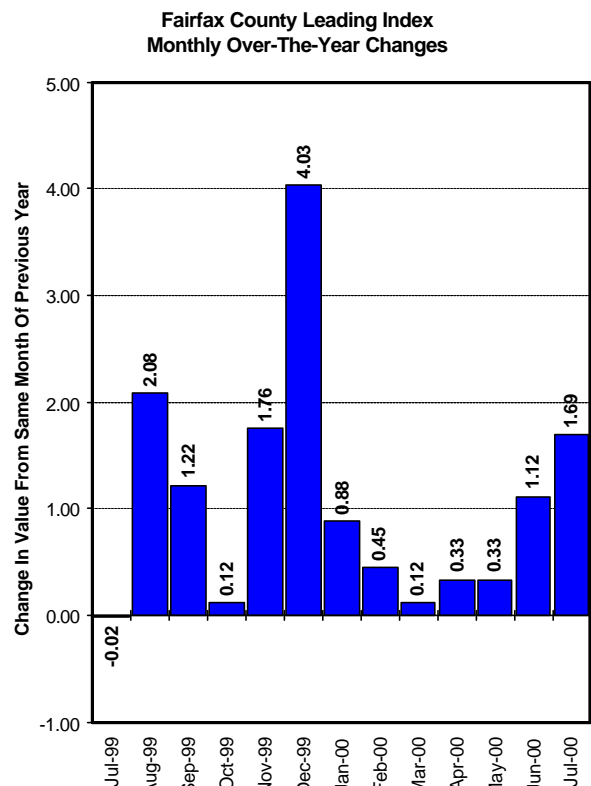
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 107.22 in July for a gain of 0.74 percent. The Leading Index has been up for two months following two monthly declines.

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

However, for the year it has been down in four of seven months. Even though the Leading Index is up 1.8 percent from its July 1999 value, it has trended lower in recent months, falling slightly below the historic growth track in May, but again is trending higher with its most recent performance.



In July, three of its five components contributed to its gain.

- Consumer expectations (consumer confidence six months hence) increased in July following its June decrease and now have been up in four of the year's first seven months;
- Residential building permits increased for a second month in a row after being down in March and April; and,
- The total value of residential building permits increased for a second month following three consecutive decreases dating back to March; while,
- Initial claims for unemployment insurance increased (worsened) in July for the third time in seven months; and,
- New automobile registrations declined for a second consecutive month and for the third time in four months.

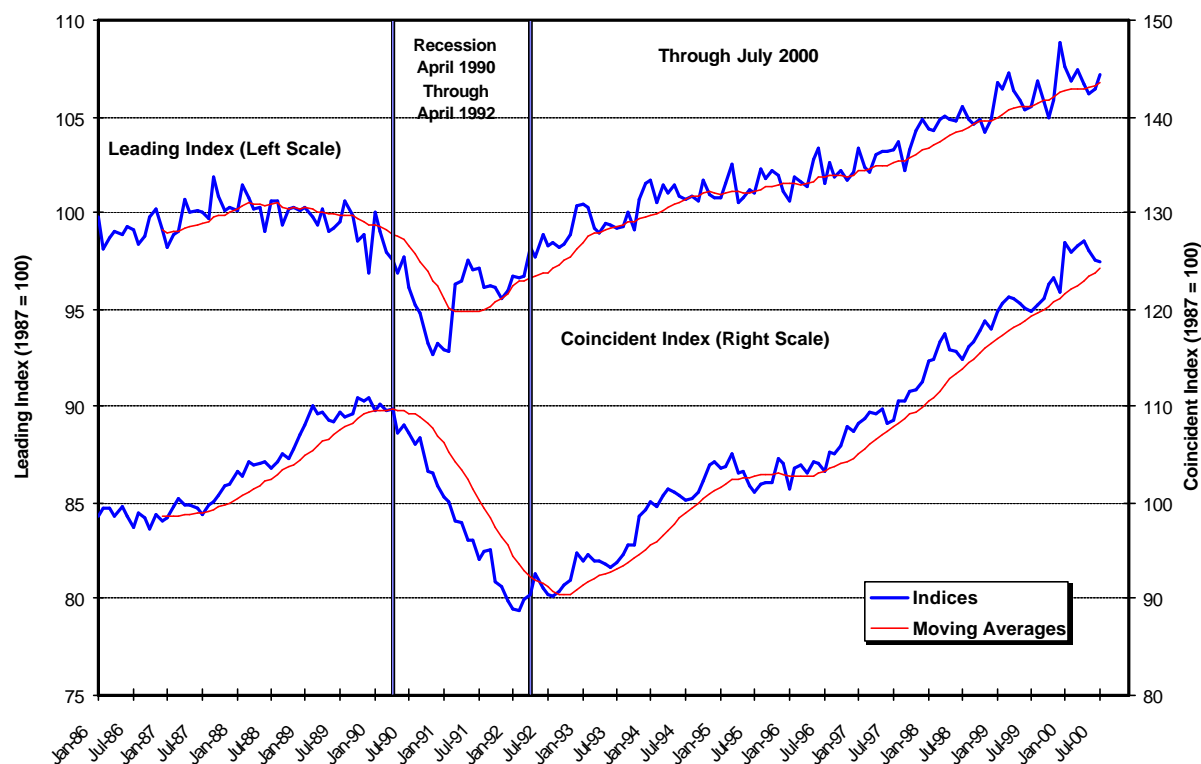
While the Fairfax County economy has been decelerating over much of this year, this trend has brought it back to its strong historic growth track and to a more sustainable growth rate in coming months. The County's leading indicators continue to point to the economy's moderation over the remainder of this year but are also pointing to possible re-acceleration in 2001. While many factors will shape the economy's performance going forward, both the metropolitan area and County economies appear well positioned for continuing growth over the coming nine to twelve months.

CURRENT CONDITIONS

The slowing of the Fairfax County economy this year has stabilized its growth rate at about 5 percent compared to same-month levels in 1999, which shows both how strong the economy has been over the past year and how fast it is still expanding in spite of a continuing trend towards slower growth. The emerging growth pattern is broad based with both job growth and consumer spending showing signs of deceleration.

July job growth in Fairfax County totaled 24,136 (from July 1999) for a gain of 4.8 percent. This monthly over-the-year gain was the smallest to date this year and is consistent with metropolitan and national trends towards slower employment growth. Still, the County economy is generating 32 percent of the new jobs in the Washington area and continues to be its major source of new jobs. This slowing of job growth in the County has not yet been sufficient to increase the unemployment rate, which continues to hover around 1.4 percent and is still down from last year's same-month rate of 1.6 percent. While initial claims for unemployment insurance worsened slightly in July, for the year they are down 13.6 percent, providing further evidence of the County's tight labor market. This tight labor market has been and continues to be a potential threat to the County's ability to sustain strong economic expansion going forward,

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

so this slight slowing of job growth could help alleviate some of this pressure.

Consumer spending has shown greater variation this year than in 1999. Overall, sales tax revenues have increased just 0.8 percent from July 1999 to July 2000. Automobile registrations, on an inflation and seasonally adjusted basis, are up just 2.8 percent while new home sales have decreased each month since February. Still, consumer confidence is increasing and, with the release of preliminary data for August, has regained its all-time peak level last set in December. Even consumer expectations (confidence six months hence) are on the rise. With interest rates expected to remain stable over the remainder of the year, the conditions are favorable for stronger retail sales going into the holiday season.

NEAR-TERM OUTLOOK

The national economy is slowing down and is expected to continue slowing through the

remainder of the year, as evidenced by the National Leading Index which is down 0.5 percent since February and has decreased 0.1 percent each of the last three months. At the metropolitan level, the economy is expected to maintain its current growth rate into next year except in light of national or international conditions that could impact this performance. Higher oil prices and inflationary pressures are examples of these conditions that could undercut this expected future performance.

The Fairfax County economy has slowed and may continue slowing over the remainder of the year although there are recent indications of renewed strength emerging in 2001. Even with this slowing, the County's growth rate will remain well above the national and area growth rates, and any moderation in the economy occurring over the next six months should be viewed positively as it will reduce price and wage pressures and help extend the longest expansion on record well into next year.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jul-00 Prelim.	Jun-00 Final	Jul-99 Final	Jun-00 to Jul-00	Jul-99 to Jul-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	124.85	125.01	119.71	-0.13	4.30
Leading Index (1987 = 100)	107.22	106.43	105.53	0.74	1.60
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	528,377	526,583	504,241	0.34	4.79
<i>Total Covered Employment (Unadjusted)</i>	<i>531,288</i>	<i>533,892</i>	<i>507,019</i>	<i>-0.49</i>	<i>4.79</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	331	335	266	-1.18	24.26
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>584</i>	<i>546</i>	<i>457</i>	<i>6.88</i>	<i>27.85</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,016	8,665	7,955	-7.49	0.77
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,495</i>	<i>12,254</i>	<i>9,932</i>	<i>-14.35</i>	<i>5.67</i>
South Atlantic Consumer Confidence	186	182	188	2.25	-0.75
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,702	6,388	5,548	-10.74	2.77
<i>Automobile Registrations (Unadjusted)</i>	<i>6,483</i>	<i>7,195</i>	<i>6,308</i>	<i>-9.90</i>	<i>2.77</i>
Initial Unemployment Claims (Seasonally Adjusted)	576	562	667	2.53	-13.64
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>576</i>	<i>533</i>	<i>667</i>	<i>8.07</i>	<i>-13.64</i>
South Atlantic Consumer Expectations	119.3	117.1	113.1	1.88	5.48
Residential Building Permits (Number of Units, Seasonally Adjusted)	904	476	655	89.95	38.08
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>950</i>	<i>539</i>	<i>688</i>	<i>76.25</i>	<i>38.08</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	38,535	31,403	33,230	22.71	15.97
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>62,953</i>	<i>58,302</i>	<i>52,763</i>	<i>7.98</i>	<i>19.31</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	555,695	557,257	546,396	-0.28	1.70
<i>Total Labor Force (Unadjusted)</i>	<i>557,907</i>	<i>556,365</i>	<i>548,571</i>	<i>0.28</i>	<i>1.70</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.39	1.50	1.61	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.41</i>	<i>1.28</i>	<i>1.62</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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